Connecticut Health Insurance Exchange

Board Meeting

Thursday, January 19th
9:00 am – 1:00 pm
State Capitol Building, Old Appropriations Room
Room 310

Exchange Plan
Draft Report

Tia Cintron
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Exchange Plan | Report Components

- **Legislation | Public Act No. 11-53 of Senate Bill No. 921**

Components of Report:

1) Whether to establish two separate Exchanges, one for the individual health insurance market and one for the small employer health insurance market, or to establish a single Exchange;
2) Whether to merge the individual and small employer health insurance markets;
3) Whether to revise the definition of "small employer" from not more than fifty employees to not more than one hundred employees;
4) Whether to allow large employers to participate in the Exchange beginning in 2017;
5) Whether to require qualified health plans to provide the essential health benefits package, as described in Section 1302(a) of the Affordable Care Act, or include additional state mandated benefits;
6) Whether to list dental benefits separately on the Exchange's Internet web site where a qualified health plan includes dental benefits;
7) The relationship of the Exchange to insurance producers;
8) The capacity of the Exchange to award Navigator grants pursuant to section 9 of this act;
9) Ways to ensure that the Exchange is financially sustainable by 2015, as required by the Affordable Care Act including, but not limited to assessments or user fees charged to carriers; and
10) Methods to independently evaluate consumers' experience, including, but not limited to, hiring consultants to act as secret shoppers.

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ITEM 1

- Should Connecticut **establish two separate Exchanges**, one for the individual health insurance market and one for the small employer health insurance market, **or establish a single Exchange?**

RECOMMENDATIONS

ACA allows states to determine whether they establish two separate Exchanges or a single Exchange (SHOP and individual)

- CT may choose to designate a signal administrative entity to operate the Exchange for both individual and employers while maintaining separate risk pools

Many of the requirements of the SHOP Exchange are virtually identical to the requirements of the individual market

- Both the SHOP and individual Exchange may offer only "qualified health plans"
- Enrollment process will be comparable across markets and carriers will offer comparable coverage
- CMS notes in proposed federal rules that a "single governance structure for both the individual market functions and SHOP will yield better coordination, increased operational efficiencies and improved operational coordination"

Recommend CT establish a single Exchange responsible for operating the SHOP and individual market Exchanges

- Programs can be best delivered through a coordinated approach that leverages administrative efficiencies and allows for shared resources
- Differences within the markets will be addressed as the Exchange structure is further defined

Next Steps and Timing

- Proceed with single administrative entity to oversee establishment and operations of the Connecticut Exchange.

ITEM 2

- Should Connecticut **merge the individual and small employer health insurance markets**?

RECOMMENDATIONS

ACA allows states to combine the small group market and the individual market risk pools

- The driving force behind merging the risk pools is a desire to protect and lower costs for individual policyholders who have less negotiating power
- Merging markets equalizes premiums across markets

Significant changes in both markets will take effect in 2014

- Individual market: Rating rules will prohibit setting rates based on health status and require policies be guarantee issued. Estimated that relative morbidity will increase by 12%
- Small group: Rating rules are similar to current rules. Morbidity is not expected to change significantly
- Uncertainty exists with regard to enrollment in the individual market although it is estimated that the influx of previously uninsured/subsidy-eligible population will more than double this market

Merging the markets may raise small group market rates by 4%

- Across both markets, it is estimated that relative morbidity will be 9% greater than the population overall, and the relative morbidity of the small group market will be 5% greater than the population overall.
- Merging the markets would decrease rates in the individual market by 2% and increase rates in the small group market by 4%

Recommend the markets remain separate, at least initially

- This will provide an opportunity for the markets to settle down post-2014

Next Steps and Timing

- Proceed with separate individual and small group markets
- Post 2014, re-assess the advantages and efficiencies of merging

ITEM 3

- Should Connecticut **revise the definition of "small employer"** from not more than 50 employees to not more than 100 employees prior to 2016?

RECOMMENDATIONS

Effective Jan 1, 2016, the ACA requires small group definition to include groups with 100 or fewer employees

- The law allows the restriction to 50 or fewer employees in 2014 and 2015

Current CT definition of small group market is 50 or fewer lives

- Rates in the small group are based on modified community rating and can only vary based on demographic make-up of the group
- Rates in the mid-group (51-100) market are based in part on relative risk of the group
- Allowing businesses with 51-100 employees into small group market could immediately raise premiums due to adverse selection
- Opening SHOP to mid-sized group before 2016 could increase enrollment in the Exchange by approximately 5%
- Larger base to spread administrative costs, potentially provide lower cost options for groups with high morbidity, and potentially inspire greater interest in insurers to participate

Expanding SHOP would require the state to expand definition of overall small group market, inside and outside Exchange

- Subjecting all mid-sized employers to ACA's modified rating rules, resulting in premium disruption
- Could result in deterioration in morbidity as healthy mid-sized employers would self-insure until it became financially advantageous to enroll

Recommend CT maintain the current definition of small groups to 50 or fewer employees

Next Steps and Timing

- Review current regulations that allow relatively low limits on the attachment point for self-insured coverage
- Comply with statutory requirements to expand to 100 or fewer in 2016

ITEM 4

- Should Connecticut **allow large employers to participate in the Exchange beginning in 2017?**

RECOMMENDATIONS

Starting in 2017, states have the option to allow large employers (100+ employees) to purchase coverage through the Exchange

- The large employer pool and its products and pricing can remain separate from the individual and small group pools
- Does not require a change in the definition of small groups
- Products sold inside the Exchange must be offered at the same price as products offered outside of the Exchange. Premiums will be set based on a modified community rating system

Many large employers choose to self-insure to reduce costs

- Roughly 27% of CT employers with 100 to 499 employees chose to self-insure in 2009, while 82% of employers with 500+ employees self-insured
- Self-insured plans are not subject to state mandates and some assessments

Offering large employers choice may lead to considerable adverse selection against the plans offered through Exchange

- If large employers are given the choice between a modified community related plan (Exchange), an experience-rated product outside of the Exchange, or self-insuring, they will choose lowest cost option
- Opening the Exchange to large employers would enable a broader base for fixed cost allocation and may lower average operating costs

Recommend the Exchange not make any plans nor take any action at this time

- Based on the concerns listed above and the uncertainty that will exist in the infancy of the Exchange, the best approach is to address the inclusion of the large group market at a later point in time

ITEM 5

- Should CT require qualified health plans to provide the **Essential Health Benefits** (EHB) package, as described in Section 1302(a) of the Affordable Care Act, or include **additional state mandated benefits**?

RECOMMENDATIONS

In Dec. 2011, CMS granted states considerable latitude to determine which benefits/services will be included in EHB

- Temporarily obviates the requirement that CT pay for the cost of state mandates that may have exceeded a federal delineation of the essential health benefits package

Still need to select Benchmark Plan for CT

- CT will need to determine the EHB for the individual and small group markets. Because the EHB applies to plans sold across these markets, CT should consider establishing a multi-agency task force – including the Health Insurance Exchange, the Department of Insurance, the Consumer Health Advocate, executive and legislative leaders, as well as key stakeholders – to compare and contrast the four benchmark plan types that may be chosen as the EHB for Connecticut.
    1) Largest plan by enrollment in any of the three largest small group insurance products (e.g., HMO, PPO, POS) in the state's small group market;
    2) Any of the largest three state employee health benefit plans by enrollment;
    3) Any of the largest three national Federal Employee Health Benefit Plan (FEHBP) plan options by enrollment; or
    4) Largest insured commercial non-Medicaid HMO in CT

Next Steps and Timing

- Benchmark Deadline: Fall 2012, in order to allow insurers to modify their plan designs, if necessary, to reflect the EHB requirements.
- CT should direct UConn to assess, as part of annual mandated benefits report, the potential cost to CT of mandates that may, in 2016, exceed the federal government's definition of essential health benefits

ITEM 6

- Should Connecticut **list dental benefits separately on the Exchange's internet web site** where a qualified health plan includes dental benefits?

RECOMMENDATIONS

The ACA requires the Exchange to allow limited scope stand-alone dental plans to be offered

- Plans must furnish the pediatric essential dental benefits required under the law. Dental plans may also be offered in conjunction with QHPs

CMS recognizes that requiring a QHP to price and offer dental benefits separately could promote comparison of dental coverage offerings

- However, they also state concerns about the administrative burden this could impose on Exchanges and QHP issuers

The Exchange Board and staff have not yet reviewed this issue, nor made a decision on how to best offer dental benefits

Next Steps and Timing

- The Exchange Board and staff should review, over the next several months, the advantages and disadvantages of offering a stand-alone dental plan
- Considerations include whether the plans should be listed and priced separately, or should insurers have the option of offering a bundled health plan that includes a limited scope dental plan

ITEM 7 and 8

- Consider **the relationship of the Exchange to insurance producers.**
- Consider the **capacity of the exchange to award navigator grants** pursuant to section 9 of Senate Bill No. 929, Public Act No. 11-53.

RECOMMENDATIONS

The Exchange will assist consumers applying for health coverage, determining their eligibility for subsidized health care, assessing options, and facilitating enrollment

- A proactive outreach, education and enrollment program will be critical to Connecticut's ultimate success

A broad, multi-pronged outreach, education and enrollment approach is needed including:

1) Web Site
2) Customer Service Unit
3) Call Center
4) Walk-in Centers
5) Navigator Program

The Brokers, Agents and Navigators Advisory Committee will be tasked with determining how to best leverage the expertise of each party and defining appropriate roles

- Required components associated with Navigators must be considered, such as funding, qualification selection criteria, education activities, licensing standards and reporting
- Policy considerations around the role of brokers and Navigators include types of qualified entities, demonstration of existing relationships, licensure, conflict of interest standards, etc.

Next Steps and Timing

- The Committee will report back to the Exchange Board in late spring 2012
- Based on these recommendations, the Exchange will develop the Navigator program and define roles for brokers and agents

ITEM 9

- Consider ways to ensure that the **Exchange is financially sustainable by 2015**, as required by the Affordable Care Act including, but not limited to assessments or user fees charged to carriers.

RECOMMENDATIONS

The ACA requires Exchanges to be financially self-sustainable by calendar year 2015

- Prior to this time, the Exchange will be funded by federal funds

Many strategies exist, most requiring the imposition of assessments or fees. Models for consideration are:

- **Premium Assessments** applied to health coverage purchased through Exchange to support program administration
  - According to Mercer's estimate, the assessment would need to be approximately 2.8% of premiums to achieve financial sustainability
  - This approach is used by Massachusetts
- **Fixed Fee** when consumers utilize Exchange services as a single charge upon enrollment or rolled into monthly premium
  - The Exchange could require health carriers to pay or require fee be attached to any premium sold through the Exchange
  - This approach is used by Utah
- Other revenue sources include:
  - Fees assessed on insurers who sell in CT but do not choose to participate in Exchange
  - Assessment imposed on all premiums
  - Advertising

Preliminary Recommendation based on Mercer Study

- Retain a percentage of premiums on policies sold through the Exchange in order to support the administration and operations of the Connecticut Exchange
- Based on budget estimates, an assessment of approximately 2.8% of premiums would be required to fund the operations of the Exchange

ITEM 10

- Consider **methods to independently evaluate consumers' experience**, including, but not limited to, hiring consultants to act as secret shoppers.

RECOMMENDATIONS

The consumer experience and satisfaction of CT residents is one of the most critical organizing principles governing the development of the Exchange

- Health reform presents a historic opportunity for CT to generate a cultural shift in the matter by which health insurance is purchased and utilized

Most residents have never purchased health insurance on their own

- Tens of thousands of new “customers” will enter the marketplace
- They will need assistance navigating through options and making decisions

The Consumer Experience and Outreach Advisory Committee will explore the issues related to the consumer experience, including the following:

- How will this diverse population be accessed appropriately, become comfortable with processes and take advantage of assistance?
- How is value defined and what are the key perspectives, experiences and interpretations?
- How will eligibility appeals be handled?
- What types of consumer services should be provided?
- How can the Exchange work with other agencies and entities to reach the uninsured?
- What key metrics will be used to evaluate the consumer experience?

Next Steps and Timing

- The Committee will report back to the Exchange Board in late spring 2012
- Based on these recommendations, the Exchange will define the methods that will be utilized to understand, evaluate and improve upon the consumer experience

Strategic Roadmap to Federal Certification

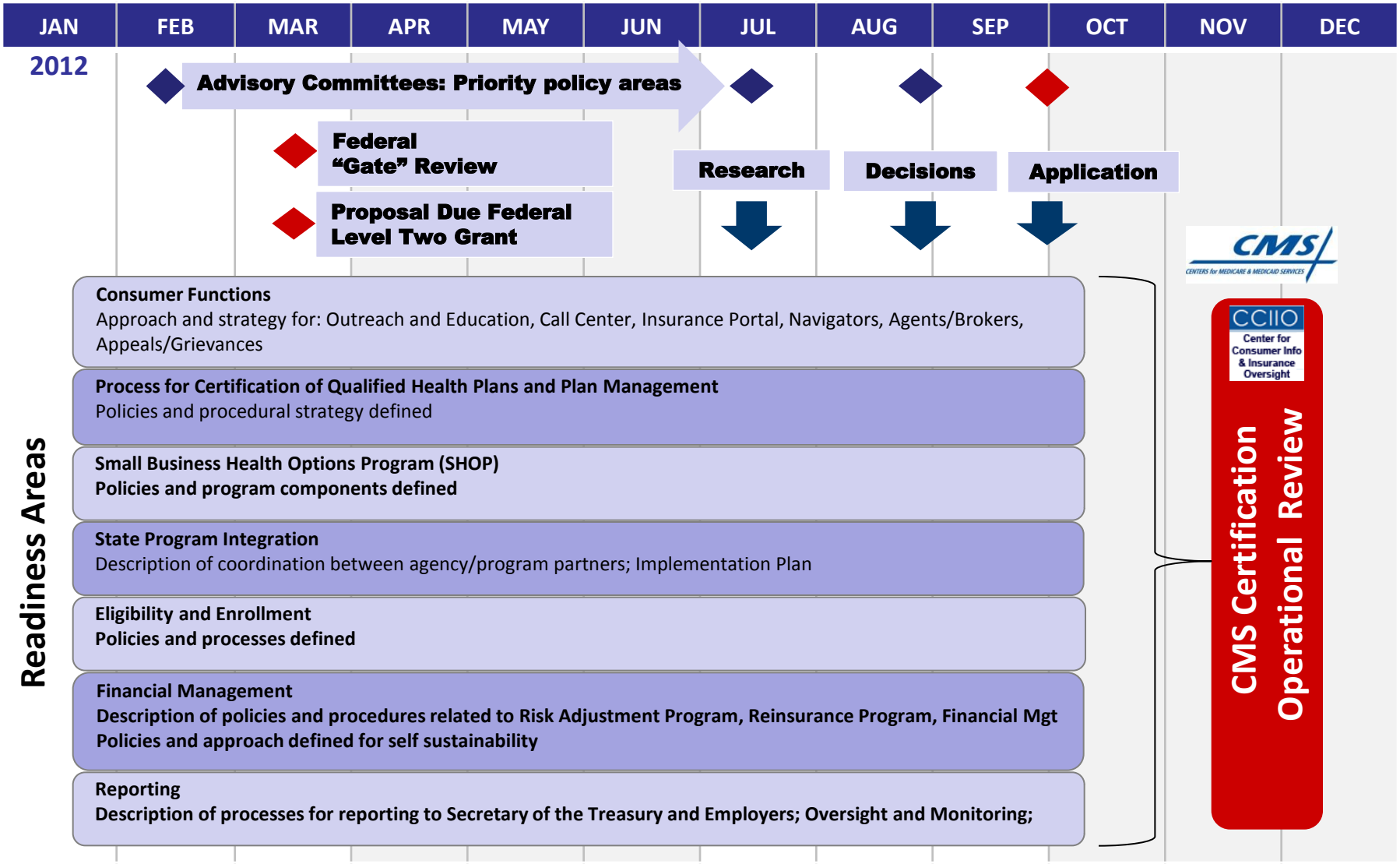
2012 Roadmap

Tia Cintron

Strategic Roadmap to Federal Certification | Overview

- **Certification**:
  US Secretary of Health and Human Services affirms that the State-based Exchange meets federal standards and will be ready to offer health care coverage on January 1, 2014
- **Deadline** for Certification - January 1, 2013
- **Penalty:**
  If a State does not achieve certification by this deadline, the law directs HHS Secretary to facilitate the establishment of an Exchange in that State
- Certification process has two steps:
  1) Complete a **Certification Application**
     - Document how a State plans to meet all legal requirements for successful operation of its Exchange
  2) Demonstrate **Operational Readiness**
     - Demonstrate actual ability to meet the requirement
- States apply for certification in Summer/ Early Fall 2012
- Final decisions will be made by January 1, 2013

Strategic Roadmap to Federal Certification | High-Level Overview – 2012



Advisory Committees

Proposed Structure

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Bob Carey | HES Advisors

Advisory Committees | Proposed Committee Structure

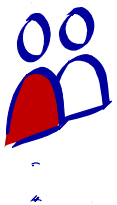
Health Plan Benefits and Qualifications

Small Business Health Options Program (SHOP)

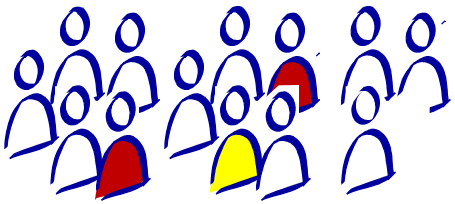
Consumer Experience and Outreach

Broker, Agents and Navigators

Co-Chairs
1 Board Member
1 Stakeholder



Members



- **Purpose**
  - Assist Exchange in establishing policy, refining goals, delineating functions and providing on-going program evaluation
  - Look critically at issues and options
  - Ensure open, transparent process to solicit and incorporate stakeholder input – both short and long term – from the private sector and from public agencies
- **Time Commitment**
  - One meeting per month
  - Necessary conference calls to ensure key milestones are met
- **Structure**
  - Goal of broad-based, diverse representation for a range of interested parties
  - Nominations due February 3, 2012
  - Vote to formalize committees at February 16th Board Meeting

Key:

Advisory Committees | Health Plan Benefits & Qualifications Committee

Background/ Overview	▪ Exchanges must certify, recertify, decertify plans as **Qualified Health Plans (QHPs)** ▪ Must oversee insurance products and practices of carriers offering coverage ▪ QHPs must cover the Essential Health Benefits and provide defined actuarial value ▪ QHPs are required to implement a wide range of quality improvement strategies
Committee Focus for 2012-2013	▪ Develop innovative approaches for benefit plan strategy & policy specific to QHPs ▪ Support tasks necessary to meet State Certification ▪ Key areas: define Essential Health Benefits, solicitation strategy with regards to QHPs, QHP selection criteria and number of plans offered, number of plans offered by carrier, health benefit standardization, and carrier flexibility issues
Committee Structure	▪ BOD Chair ▪ Stakeholder Chair ▪ Committee Members: 15 ▪ Staff Lead: Director of Policy and Plan Management

Advisory Committees | Small Business Health Options Program Committee Overview

Background/ Overview	▪ Offering coverage to **small employers & their employees** is required under ACA ▪ States have option to assign function to a **separate Exchange entity** or serve both through a **single entity** ▪ SHOP Exchange will allow individual workers to choose among various QHPs ▪ Employer chooses level of coverage the employers wants to contribute towards and the employee chooses the QHP at that level
Committee Focus for 2012-2013	▪ Issues related to viability, operations structure & development strategy ▪ Specifically: evaluate enrollment functions, premium collection and plan payment operations ▪ Review purchasing options for small employers through SHOP, develop recommendations regarding minimum participation and contribution requirements
Committee Structure	▪ BOD Chair: ▪ Stakeholder Chair: ▪ Committee Members: 15 ▪ Staff Lead: Director of Policy and Plan Management

Advisory Committees | Consumer Experience and Outreach Committee Overview

Background/ Overview	▪ Consumer experience and satisfaction of CT residents is a critical organizing principle governing the development and operation of the Exchange ▪ Reform presents a historic opportunity for CT to build a consumer-centric model that generates a cultural shift in the manner in which health insurance is purchased and utilized

Committee Focus for 2012-2013	▪ Support and assist in comprehensive consumer outreach which will provide the necessary strategy to define, reach, engage and support the consumer
	▪ Questions to be explored:
	  ▪ Population access, comfort of use, and consumer utilization of assistance
	  ▪ Definition of value, key perspectives, experiences and interpretations
	  ▪ Eligibility appeals process
	  ▪ Additional services, uninsured population

Committee Structure	▪ BOD Chair: ▪ Stakeholder Chair: ▪ Committee Members: 15 ▪ Staff Lead: Director of Policy and Plan Management

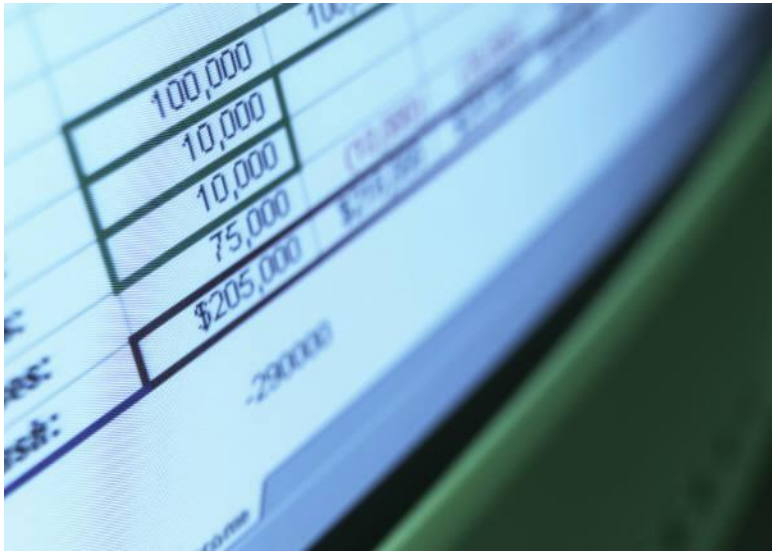
Advisory Committees | Brokers, Agents and Navigators Committee Overview

Background/ Overview	▪ Significant challenge is navigating plan options and making informed decisions ▪ Consumers need to understand benefits, cost-sharing, coverage standards and provider networks ▪ Agents and brokers provide valuable assistance ▪ Consumer advocacy organizations are well versed in a range of public programs and assisting underserved populations ▪ Exchange must leverage experience and knowledge of these different groups to help residents navigate coverage options
Committee Focus for 2012-2013	▪ Navigators are required by ACA to assist with Exchange outreach, enrollment and consumer support. Required components include funding, qualifications, selection criteria, education activities, licensing standards and reporting ▪ Address policy considerations around the role of brokers and Navigators ▪ Consider types of potentially qualified entities, demonstration of existing relationships and capabilities for reaching target markets, licensure and accurate information, conflict of interest standards, linguistic and cultural appropriateness, etc.
Committee Structure	▪ BOD Chair: ▪ Stakeholder Chair: ▪ Committee Members: 15 ▪ Staff Lead: Director of Policy and Plan Management

Bylaws and Human Resource Policies

Karen Buffkin

Exchange Administrative Budget



Tia Cintron

Exchange Administrative Budget | Overview

Recommendation:

- Reallocate $1,210,000 of Level One Establishment award to procure necessary professional services to support consumer outreach research, advisory committee research and policy recommendations, executive recruitment efforts, and general Exchange program development.

Reference	Budget Line Item	Amount Awarded (July 2011)	Reallocation (January 2012)
1	Salaries and Wages, includes Fringe and Indirect	$2,396,886	$400,000
2	Exchange Administrative Structure Development	$153,500	
3	Business Operations/IT Systems Development	$3,554,063	$600,000
4	Customer Assistance Program Assessment	$265,782	
5	Office Space	$230,000	$200,000
6	Equipment	$38,002	
7	Office Supplies	$3,100	
8	Travel	$46,601	$10,000
	Total	**$6,687,934**	**$1,210,000**

Professional Services

- Consumer Outreach Research: Mintz & Hoke
- Advisory Committee Research support: To be determined
- Executive Search Recruitment: Fitzgerald Associates
- General Exchange development consultation: HES Advisors, Inc.

Personnel Committee

Update

Next Meetings

- Thursday, February 16th
  - 9:00 to 12:00 pm
  - State Capitol
- Thursday, March 15th
  - 9:00 to 12:00 pm
  - State Capitol